

49. Salary costs of employees determined by the department to be inadequately trained to assume assigned responsibilities, but where an election has been made to not participate in appropriate training approved by the department.
50. Salary costs of employees who fail to meet the functional competency standards established or approved by the department.
51. Travel of clients visiting relatives or acquaintances in or out of state.
52. Travel expenses in excess of state allowances.
53. Undocumented expenditures.
54. Value of donated goods or services.
55. Vehicle and aircraft costs not directly related to provider business or client services.
56. X-ray salaries and supplies.

**Section 14 - Maximum Annual Return on Investment**

For-profit institutions or facilities must be allowed an annual return on investment in fixed assets based upon the existing debt over the original asset cost and must be determined as follows:

Percent debt to asset	Return
51% to 80 percent -	2 percent return on original cost of fixed assets.
0 to 50 percent -	3 percent return on original cost of fixed assets.

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**Section 15 - Depreciation**

1. The principles of reimbursement for provider costs require that payment for services include depreciation on depreciable assets that are used to provide allowable services to clients. This includes assets that may have been fully or partially depreciated on the books of the provider, but are in use at the time the provider enters the program. The useful lives of these assets are considered not to have ended and depreciation calculated on the revised extended useful life is allowable. Likewise, a depreciation allowance is permitted on assets that are used in a normal standby or emergency capacity. Depreciation is recognized as an allocation of the cost of an asset over its estimated useful life. If any depreciated personal property is sold or disposed of for an amount different than its undepreciated value, the difference represents an incorrect allocation of the cost of the asset to the facility and must be included as a gain or loss on the cost report. The facility shall use the sale price in computing the gain or loss on the disposition of the assets.
2. Depreciation methods:
  - a. The straight-line method of depreciation must be used. All accelerated methods of depreciation, including depreciation options made available for income tax purposes, such as those offered under the asset depreciation range system, may not be used. The method and procedure for computing depreciation must be applied on a basis consistent from year to year and detailed schedules of individual assets must be maintained. If the books of account reflect depreciation different than that submitted on the cost report, a reconciliation must be prepared.
  - b. For all assets obtained prior to August 1, 1997, depreciation will be computed using a useful life of ten years for all items except vehicles, which must be four years, and buildings, which must be twenty-five years or more. For assets other than vehicles and building obtained after August 1, 1997, a provider may use the American hospital association guidelines as published by the American hospital publishing, inc., in "Estimated Useful Lives of Depreciable Hospital Assets," revised 1998 edition, to determine the useful life or the composite useful life of ten years. Whichever useful life methodology is chosen, the provider may not thereafter use the other option without the department's prior written approval. A useful life of ten years must be used for all equipment not identified in the American hospital association depreciation guidelines.
  - c. A provider acquiring assets as an ongoing operation shall ~~use~~ as a basis for determining depreciation:
    - (1) The estimated remaining life, as determined by a qualified

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appraiser, for land improvements, buildings, and fixed equipment; and

- (2) (a) A composite remaining useful life for movable equipment, determined from the sellers's records; or
- (b) The remaining useful life for movable equipment, determined from the seller's records.
- (3) Moveable equipment means movable care and support services equipment generally used in a facility, including equipment identified as major movable equipment in the American hospital association depreciation guidelines.

3. Acquisitions are treated as follows:

- a. If a depreciable asset has, at the time of its acquisition, a historical cost of at least one thousand dollars, its cost must be capitalized and depreciated in accordance with subdivision b of subsection 2. Cost during the construction of an asset, such as architectural, consulting and legal fees, interest, etc., should be capitalized as a part of the cost of the asset.
- b. Major repair and maintenance costs on equipment or buildings must be capitalized if they exceed five thousand dollars per project and will be depreciated in accordance with subdivision b of subsection 2.

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4. Proper records will provide accountability for the fixed assets and also provide adequate means by which depreciation can be computed and established as an allowable client-related cost.
5. The basis for depreciation is the lower of the purchase price or fair market value at the time of purchase.

In the case of a trade-in, fair market value will consist of the sum of the book value of the trade-in plus the cash paid.

6. For the depreciation and reimbursement purposes, donated depreciable assets may be recorded and depreciated based on their fair market value. In the case where the provider's records do not contain the fair market value of the donated asset, as of the date of the donation, an appraisal must be made. An appraisal made by a recognized appraisal expert will be accepted for depreciation.
7. No provision shall be made for increased costs due to the sale of a facility.
8. Providers which finance facilities pursuant to North Dakota Century Code chapter 6-09.6, subject to the approval of the department, may elect to be reimbursed based upon the mortgage principle payments rather than depreciation. Once an election is made by the provider, it may not be changed without department approval.
9. Recapture of depreciation.
  - a. At any time that the operators of a facility sell an asset, or otherwise remove that asset from service in or to the facility, any depreciation costs asserted after June 1, 1984, with respect to that asset, are subject to recapture to the extent that the sale or disposal price exceeds the undepreciated value except as provided in paragraphs (1) and (2). If the department determines that a sale or disposal was made to a related party, or if a facility terminates participation as a provider of services in a department program, any depreciation costs asserted after June 1, 1984, with respect to that asset or facility, are subject to recapture to the extent that the fair market value of the asset or facility exceeds the depreciated value.
    - (1) If a facility has been owned for twenty years or longer, there may be no recapture of depreciation; or

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2. Interest paid by the provider to partners, stockholders, or related organizations of the provider is not allowable as a cost except when interest expense is incurred subject to North Dakota Century Code chapter 6-09.6.
3. A provider may combine or "pool" various funds in order to maximize the return on investment. Where funds are pooled, proper records must be maintained to preserve the identity of each fund in order to permit the earned income to be related to its source. Income earned on gifts and grants does not reduce allowable interest expense.
4. Funded depreciation requirements are as follows:
  - a. Funding of depreciation is the practice of setting aside cash or other liquid assets to be used for replacement of the assets depreciated or for other capital purposes. This provision is recommended as a means of conserving funds for the replacement of depreciable assets. It is expected that the funds will be invested to earn revenues. The revenues generated by this investment will not be considered as a reduction of allowable interest expense provided such revenues remain in the fund.
  - b. The deposits are, in effect, made from the cash generated by the noncash expense depreciation and do not include interest income. Deposits to the funded depreciation account are generally in an amount equal to the depreciation expense charged to costs each year. In order to qualify for all provisions of funding depreciation, the minimum deposits to the account must be fifty percent of the depreciation expensed that year. Deposits in excess of accumulated depreciation are allowable; however, the interest income generated by the "extra" deposits will be considered as a reduction of allowable interest expense.
  - c. Monthly or annual deposits representing depreciation must be in the funded depreciation account for six months or more to be considered as valid funding transactions. Deposits of less than six months are not eligible for the benefits of a funded depreciation account. However, if deposits invested before the six-month period remain in the account after the six-month period, the investment income for the entire period will not reduce the allowable interest expensed in that period. Total funded depreciation in excess of accumulated depreciation on client-related assets will be considered as ordinary investments and the income therefrom will be used to offset interest expense.
  - d. Withdrawals for the acquisition of capital assets, the payment of mortgage principal on these assets and for other capital expenditures are on a first-in, first-out basis.

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- e. The provider may not use the funds in the funded depreciation account for purposes other than the improvement, replacement, or expansion of facilities or equipment replacement or acquisition related to client services.
- f. Existing funded depreciation accounts must be used for all capital outlays in excess of one thousand dollars except with regard to those assets purchased exclusively with donated funds or from the operating fund, provided no amount was borrowed to complete the purchase. Should funds be borrowed, or other provisions not be met, the entire interest for the funded depreciation income account will be offset up to the entire interest expense paid by the facility for the year in question.

**Section 17 - Related Organization**

- 1. Costs applicable to services, facilities, and supplies furnished to a provider by a related organization shall not exceed the lower of the cost to the related organization or the price of comparable services, facilities, or supplies purchased elsewhere primarily in the local market. Providers must identify such related organizations and costs in the cost report. An appropriate statement of cost and allocations must be submitted with the cost report. For cost reporting purposes, management fees will be considered administrative costs.
- 2. A chain organization consists of a group of two or more service providers which are owned, leased, or through any other device, controlled by one business entity.
- 3. Home offices of chain organizations vary greatly in size, number of locations, staff, mode of operations, and services furnished to their member facilities. Although the home office of a chain is normally not a provider in itself, it may furnish to the individual provider, central administration or other services such as centralized accounting, purchasing, personnel, or management services. Only the home office's actual cost of providing such services is includable in the provider's allowable costs under the program. Any services provided by the home office which are included in cost as payments to an outside provider will be considered a duplication of costs and not be allowed.

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**Section 24 - Application**

This chapter will be applied to providers of services to developmentally disabled persons, except distinct parts of state institutions for the mentally retarded which are certified as intermediate care facilities for the mentally retarded, starting the first day of a facility's first fiscal year which begins on or after July 1, 1985; provided, however, that neither this section, nor the effective date, shall preclude the application and implementation of some or all of the provisions of this chapter through contract or through official statements of department policy. Specific sections of this plan will be applied to services provided in distinct parts of state institutions certified as intermediate care facilities for the mentally retarded. The applicable sections are section 1; subsection 1, 4, 5, 6, and 7 of section 2; subsections 1, 2, and 3 of section 8; sections 9, 10, 11 and 12; subsections 1 through 12, 14 through 23, 25 through 30, 32 through 35, 37 through 38, 40 through 44, 47, and 49 through 55 of section 13; and sections 14 through 24.

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**APPENDIX A**  
**INTERIM RATE SETTING METHODOLOGY**

Providers of services to developmentally disabled individuals must submit a budget, on a form prescribed by the department, to the Disability Services Division (DSD) within sixty days of the date of the letter containing the budget instructions provided by the department. The provider is to report only allowable budgeted costs and projected occupancy. The interim rate is effective the first day of the provider's fiscal year. Adjustments to the interim rate may be made throughout the fiscal year for significant changes in approved occupancy or services being provided. Changes to the interim rate will be made using the same rate setting methodology described here.

The example shown on A-4 sets forth the interim rate setting methodology and various calculations which enter into the interim rate setting as described below:

**Reported Costs**

Costs are reported by service category and by line item. Sub-totals for Salaries and Fringe Benefits, Other, Board, Property and Production costs are entered as reported costs.

**Adjustments**

DSD personnel review the budget submission and make adjustments for costs which cannot be justified either historically or by a change in services.

**Total As Adjusted**

Reported costs less adjustments are identified by service category.

**General Client Allocation**

General client costs are allocated to each applicable service category based on 100% of approved capacity for that service to total approved capacity.

**Administration Allocation**

Administration costs are allocated to each service category based on the total costs of the service category after the general client allocation to total costs of all services, exclusive of production costs.

**In-House Day Supports**

The costs of providing in-house day supports to ICF/MR clients are included in the costs of ICF/MR by multiplying the number of hours of service which are to be provided to ICF/MR clients times the hourly service rate which is calculated based on Total Costs for day supports divided by census at 100%. This amount is added to ICF/MR costs to arrive at total ICF/MR costs.

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**Interim Rate**

The interim rate is calculated by dividing Total Costs by the 95% census.

**Total Census**

Census for each service category is determined by multiplying the approved capacity by 8 hours by 230 days for day supports and by 365 for residential services.

**Census at 95%**

Census used to determine the rate is calculated by multiplying the total census times 95%.

**Requested Total**

Amount requested by the provider.

**"Greensheet" ADJUSTMENT**

Increase/decrease to amount requested by the provider based upon budget instructions issued by the department.

**Total as Adjusted**

Requested total plus/minus "Greensheet" ADJUSTMENT.

**General Client Percentage**

General client percentage is calculated by dividing census at 100% for each applicable service, excluding Independent Supported Living Arrangement, Supported Living Arrangement, Extended Services, Supported Employment, Room and Board, and Family Support Services by total census at 100% for those general client services.

**Administration Percentage**

Administration percentage is determined by dividing Reported Costs less Adjustments plus General Client Allocation for each service by total costs for all services. Total costs for a non-ICF/MR residential service is determined by adding costs for training, room and board for the service. The administration allocation is then made to the training component for the non-ICF/MR residential service.

**In-House Day Service Calculation**

Total costs for day supports is divided by 100% of approved census for the day service. The number of ICF/MR day support hours is the number of ICF/MR clients to be served times eight hours times 230 days. The day support rate

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clients to be served times eight hours times 230 days. The day support rate times the ICF/MR day support hours yields the Total Cost for day supports which is added to ICF/MR total costs to establish an all inclusive rate.

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DD Service Provider  
Budget Adjustment Worksheet: Interim Rates

	Total	Admin.	General Client	Day Supports	Prod.	GH II ICF/MR PH	GH IV ICF/MR PH	GH V ICF/MR PH	GH I ICF/MR CH.	MSLA Trng	FmHA Room	Board	Other Room	ISLA	TBI	Extended Services	FSS	ILP	DUPLEX
Total Census	28,911			134,927		2,190	2,555	2,190	2,555	2,555		2,555	2,555			150			
95% Census	27,465			128,181		2,081	2,427	2,081	2,427	2,427		2,427	2,427						
Salaries and F B (Line 8)	\$ 3,935,664	\$ 272,750	\$ 165,330	\$ 652,409	\$ -	\$ 284,679	\$ 279,760	\$ 240,833	\$ 515,089	\$ 173,885	\$ -	\$ -	\$ -	\$ 1,348,872	\$ -	\$ 1,624	\$ 433	\$ -	\$ -
Other (Line 43)	\$ 272,186	\$ 74,314	\$ 4,908	\$ 53,465	\$ 3,743	\$ 28,666	\$ 39,828	\$ 28,399	\$ 23,845	\$ 8,770	\$ 0	\$ 0	\$ 0	\$ 4,272	\$ 1,644	\$ 0	\$ 0	\$ 332	\$ 0
Board (Line 46)	\$ 97,577	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,499	\$ 21,861	\$ 16,225	\$ 21,533	\$ 0	\$ 0	\$ 13,439	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property (Line 72)	\$ 987,682	\$ 44,648	\$ 14,672	\$ 90,542	\$ 18,442	\$ 21,796	\$ 36,831	\$ 41,488	\$ 43,442	\$ 649	\$ 19,320	\$ 0	\$ 8,418	\$ 2,124	\$ 368,675	\$ 0	\$ 0	\$ 233,021	\$ 43,614
Production (Line 80)	\$ 230,780	\$ 0	\$ 0	\$ 0	\$ 230,780	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
REQUESTED TOTAL (Line 85)	\$ 5,523,889	\$ 391,712	\$ 184,910	\$ 796,416	\$ 252,965	\$ 359,640	\$ 378,300	\$ 326,945	\$ 603,909	\$ 183,304	\$ 19,320	\$ 13,439	\$ 8,418	\$ 1,355,268	\$ 370,319	\$ 1,624	\$ 433	\$ 233,353	\$ 43,614
"Greensheet" ADJUSTMENT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL AS ADJUSTED	\$ 5,523,889	\$ 391,712	\$ 184,910	\$ 796,416	\$ 252,965	\$ 359,640	\$ 378,300	\$ 326,945	\$ 603,909	\$ 183,304	\$ 19,320	\$ 13,439	\$ 8,418	\$ 1,355,268	\$ 370,319	\$ 1,624	\$ 433	\$ 233,353	\$ 43,614
General Client Allocation			\$ (184,910)	107,872		\$ 14,007	\$ 16,341	\$ 14,007	\$ 16,341	\$ 16,341									
Administration Allocation		\$ (391,712)		72,598		\$ 29,997	\$ 31,683	\$ 27,372	\$ 49,795	\$ 19,334				\$ 108,803	\$ 29,730	\$ 130	\$ 35	\$ 18,734	\$ 3,501
Day Supports to ICF/MR						\$ 79,931	\$ 93,253	\$ 79,931											
Total Costs	\$ 5,523,889	\$ -	\$ -	\$ 976,886	\$ 252,965	\$ 483,575	\$ 519,577	\$ 448,255	\$ 670,045	\$ 218,979	\$ 19,320	\$ 13,439	\$ 8,418	\$ 1,464,071	\$ 400,049	\$ 1,754	\$ 468	\$ 252,087	\$ 47,115
UNITS @ 95% except Ex. Svcs.				128,181		2,081	2,427	2,081	2,427	2,427		2,427	2,427			150			
INTERIM UNIT RATE				\$7.62		\$232.43	\$214.06	\$215.46	\$276.05	\$90.22	FmHA	\$5.54	\$3.47			\$11.70			

ADJUSTMENT NOTES:

General Client Percentage	Percentage
Day Supports	58%
GH II ICF/MR PH	8%
GH IV ICF/MR PH	9%
GH V ICF/MR PH	8%
GH I ICF/MR Children	9%
MSLA Training	9%
	100%
Example of In House Day Support Calculation in ICF/MR Rate	
Day Support Costs	986,196
Census @ 100%	134,927
Day Supports Rate @ 100% Units	7.31
# ICF/MR Day Support Units GH II	11,040
Total Cost for Day Supports	80,693

Administrative Percentage	Costs	Percentage
Day Supports	904,288	18.53%
GH II ICF/MR PH	373,647	7.66%
GH IV ICF/MR PH	394,841	8.09%
GH V ICF/MR PH	340,952	6.99%
GH I ICF/MR Children	620,250	12.71%
MSLA Training		4.94%
Training	199,645	
FmHA Room	19,320	
Board	13,439	
Other Room	8,418	
ISLA	1,355,268	27.78%
TBI	370,319	7.59%
Extended Services	1,624	0.03%
Family Support Services	433	0.01%
ILP	233,353	4.78%
Duplex	43,614	0.89%
	4,879,212	100%

U:\(Medicaid State Plan - Interim Rate Example.xls)A

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**APPENDIX B**  
**FINAL RATE SETTING METHODOLOGY**

Providers of services to developmentally disabled individuals must submit a cost report, on a form prescribed by the department, to the department by the last day of the third month following the end of the facility's fiscal year. The provider must report all actual costs, adjustments for nonallowable costs, and actual census units. The cost report submission will be reviewed by the department and if necessary a field audit will be performed. A final rate for services is established based on the cost report submission and desk or field audits. The final rate is a retrospective rate and will be effective for the period which was reported on the cost report.

The example shown on B-4 sets forth the final rate setting methodology and various calculations which enter into the final rate setting as described below:

**RATE DETERMINATION****Reported Costs**

Reported costs are the total costs reported by the provider on the cost report, net of applicable adjustments made by the provider. Total reported costs include all costs incurred by a provider, including costs which are not related to providing services to developmentally disabled clients.

**Audit Adjustments**

Audit adjustments identifies the adjustments made by the department based on a desk or field audit to reported costs which cannot be included in allowable costs based on reimbursement rules.

**Total Adjusted Costs**

Total reported costs are increased or decreased by audit adjustments to arrive at allowable costs.

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**Budget Limitations**

Allowable costs for services provided to developmentally disabled clients are compared to the approved budget limits used to calculate the interim rates. If total allowable costs exceed the total approved budgeted limit, a limitation is applied.

**General Clients Allocation**

Allowable general client costs are allocated to each service category, excluding ISLA, SLA, Family Support Services, Extended Services, Supported Employment, production, and Room and Board, based on the percent actual census units for the services are to total census units for those services.

**Administration Allocation**

Administration costs are allocated to each service category based on the total costs of the service category, including the general client allocation, to total costs of all services, exclusive of room, board, and production costs.

**In-House Day Supports to ICF/MR**

The costs of providing in-house day supports to ICF/MR clients are included in the costs of ICF/MR to arrive at total ICF/MR costs. See attached calculation.

**Total As Adjusted**

Total costs for each service category consists of reported costs as adjusted less budget limitation, plus general client allocation, plus administration allocation, plus in-house ICF/MR day support costs.

**Client Units**

Actual units of service provided for each service category or 95% approved occupancy, whichever is greater.

**Rate Per Unit**

Total As Adjusted costs divided by client units. The rate per unit is the final per diem rate which is applicable for the identified service.

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**DD Service Provider  
Final Rate Determination**

	TOTAL	Adminis- tration	General Client	Day Supports	ICF's/MR			ISLA	Production
					Stanley	Tioga	New Town		
Reported Costs	\$1,535,282	\$286,186	\$118,129	\$241,489	\$227,127	\$264,397	\$226,417	\$162,030	\$9,507
Facility Adjustments	(7,368)	(2,650)	(205)	(1,030)	(816)	(816)	(817)	(1,034)	0
Adjusted Reported Costs	\$1,527,914	\$283,536	\$117,924	\$240,459	\$226,311	\$263,581	\$225,600	\$160,996	\$9,507
<u>Audit Adjustments</u>									
Vehicle Expenses	(993)	(389)	(126)		(23)	(141)	(200)	(114)	
Buick Rental	(416)	1,035	(2,272)		73	177	395	176	
Depreciation	3,044	4,482	(1,515)	(1,463)	249	388	567	336	
Total Adjusted Costs	\$1,529,549	\$288,664	\$114,011	\$238,996	\$226,610	\$264,005	\$226,362	\$161,394	\$9,507
Budget Limitations	0	0	0	0	0	0	0	0	0
Sub-Total	\$1,529,549	\$288,664	\$114,011	\$238,996	\$226,610	\$264,005	\$226,362	\$161,394	\$9,507
General Client Allocation %			-100.0%	45.0%	16.5%	16.5%	22.0%		
General Client Allocation			(114,011)	51,274	18,829	18,829	25,080		
Sub-Total	\$1,529,550	\$288,664	\$0	\$290,270	\$245,439	\$282,834	\$251,442	\$161,394	\$9,507
Administration Allocation %		-100.0%		23.6%	19.9%	23.0%	20.4%	13.1%	
Administration Allocation		(288,664)		68,125	57,444	66,393	58,887	37,815	
Sub-Total	\$1,529,550	\$0	\$0	\$358,395	\$302,883	\$349,227	\$310,329	\$199,209	\$9,507
In-House Day Supports to ICF/MR					82,707	82,707	110,275		
Total as Adjusted		\$0	\$0	\$358,395	\$385,590	\$431,934	\$420,604	\$199,209	\$9,507
Client Units				47,840	2,196	2,196	2,925		
Rate per Unit				\$7.49	\$175.59	\$196.69	\$143.80		

**In-House Day Support Calculation to ICF/MR Rate**

Day Support Costs	\$358,395
Total Day Support Units	47,840
Unit Rate	\$ 7.49
# of Day Support Units in ICF/MR - Stanley	11,040
Cost for Day Supports in ICF/MR - Stanley	\$ 82,707

U:\[Medicaid State Plan - Final Rate Example.xls]Rate

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2. The amount of any payments made to any member or members of the governing board of the applicant or board of directors of a related organization exclusive of reimbursement for actual and reasonable personal expenses.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

**75-04-02-05. Payments to members of governing boards restricted.** Repealed effective June 1, 1985.

**75-04-02-06. Payments to related organizations restricted.**

1. Payments, to related organizations, by the provider shall be limited to the actual and reasonable cost of the service received or the product purchased.
2. Financial transactions between the provider and the related organization shall be documented by the provider. The terms of such transactions shall be those which would be obtained by a prudent buyer negotiating at arms length with a willing and knowledgeable seller.

History: Effective April 1, 1982; amended effective June 1, 1985.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

**75-04-02-07. Articles and bylaws of provider.**

1. The articles, bylaws, or constitution of the provider shall identify developmentally disabled persons as eligible recipients of the provider's services and the provisions of those services as a purpose of the organization.
2. The articles, bylaws, or constitution of the provider shall authorize the governing board to enter into contracts, agreements, or any other arrangement to secure funds to provide services consistent with the provider's purpose.
3. The provider's dissolution provisions shall provide that the assets of the organization, which have been purchased, in whole or in part, with funds loaned or granted by the state or with the state's necessary approval, shall inure to the benefit of developmentally disabled persons and shall further

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provide that such assets shall be transferred subject to the approval of the department.

History: Effective April 1, 1982; amended effective August 1, 1984.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

**75-04-02-08. Providers policies and procedures.** The department may require a provider to submit a statement of policies and procedures, and evidence of the implementation of the statement, in order to facilitate a determination that the provider is in compliance with the rules of the department and with North Dakota Century Code section 25-01-01.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

**75-04-02-09. Recording and reporting abuse, neglect, and use of restraint.**

1. Providers shall implement policies and procedures to assure that incidents of alleged abuse and neglect:
  - a. Are reported to the governing board, administrator, parent, guardian, and advocate;
  - b. Are thoroughly investigated, the findings reported to the governing board, parent, guardian, and advocate, and that the report and the action taken are recorded in writing and retained for three years; and
  - c. Are immediately reported to the department.
2. Providers shall record and report to the governing board any and all incidents of restraint utilized to control or modify the behavior of developmentally disabled persons.
3. Incidents resulting in injury to the staff of the provider or a developmentally disabled person, requiring medical attention or hospitalization, shall be recorded and reported to the chairman of the governing board immediately, and as soon thereafter as possible to the parent, guardian, or advocate.
4. Incidents resulting in injury to the staff of the provider or a developmentally disabled person which require extended hospitalization, endanger life, or result in a permanent

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disability shall also be immediately reported to the department.

History: Effective April 1, 1982.

General Authority: NDCC 25-01.2-18, 25-16-06, 50-06-16

Law Implemented: NDCC 25-01.2-18, 25-16-10, 50-25.1-02

75-04-02-10. Wages of developmentally disabled persons. Providers generating income from the direct labor of developmentally disabled persons and paying subminimum wages shall submit to the department a true, correct, and current copy of a certificate from the United States department of labor authorizing the payment of subminimum wages.

History: Effective April 1, 1982.

General Authority: NDCC 25-01.2-18, 25-16-06, 50-06-16

Law Implemented: NDCC 25-01.2-06, 25-16-10

75-04-02-11. Access to provider premises and records. The provider shall authorize the department's entry to its facilities and access to its records, in the event the provider declares bankruptcy, transfers ownership, ceases operations, evicts residents of its facilities, or the contract with the department is terminated by either of the parties, for the purpose of facilitating the orderly transfer of clients to an alternative service or the maintenance of appropriate service until an orderly transfer can be made.

History: Effective April 1, 1982.

General Authority: NDCC 25-01.2-18, 25-16-06, 50-06-16

Law Implemented: NDCC 25-01.2-03, 25-16-10

75-04-02-12. Lobbying and political activity. Providers shall not utilize funds provided by or through the department to support lobbying, political candidates, or political activity.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

75-04-02-13. Indemnification. Contracting providers may be required to indemnify and reimburse the department for any federal funds, the expenditure of which is disallowed as a consequence of the provider's failure to establish and maintain adequate records or the provider's failure to otherwise comply with written standards, rules and regulations, or statutes.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

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75-04-02-14. Grievance procedure.

1. Providers shall submit to the department, for review and approval, a copy of a grievance procedure, approved by the governing board, which affords the developmentally disabled person, or that person's parents, guardian, or advocate, a fair hearing of any complaint.
2. The provider shall maintain a record of all hearings provided pursuant to its grievance procedure, and shall note therein the complaint, persons complaining, and the resolution of the grievance.

History: Effective April 1, 1982.

General Authority: NDCC 25-01.2-18, 25-16-06, 50-06-16

Law Implemented: NDCC 25-01.2-18, 25-16-10

75-04-02-15. Property management and inventory.

1. The provider shall establish and maintain policies and procedures for the management and maintenance of property and equipment purchased or depreciated with state funds.
2. An inventory of property and equipment meeting the description of subsection 1 shall be separately maintained and identified by serial number and descriptions.
3. The provider shall make the records, and items identified in them, available for inspection by the department upon request to facilitate a determination of the adequacy with which the applicant is managing property and equipment.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

75-04-02-16. Accounting for funds. The provider shall establish and maintain financial records consistent with generally accepted accounting principles and the financial reporting requirements of the department.

History: Effective April 1, 1982.

General Authority: NDCC 25-16-06, 50-06-16

Law Implemented: NDCC 25-16-10

75-04-02-17. Rate of reimbursement.

1. The provider shall be reimbursed for services to a developmentally disabled person on the basis of reasonable cost.

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